

***FINREGLAB WILL EVALUATE INNOVATIONS TO HELP DISTRESSED BORROWERS
RECOVER FROM PANDEMIC AND OTHER FINANCIAL SHOCKS***

WASHINGTON, D.C., October 20, 2022 – FinRegLab has launched a new research project using data from the National Foundation for Credit Counseling (NFCC) to evaluate ways to help consumers recover more quickly from personal and economic crises such as COVID-19. The project will analyze pilot initiatives by nonprofit counseling agencies and other data sources as a springboard for considering broader market and policy changes.

For millions of Americans, unmanageable credit card and loan balances can become barriers to financial stability and personal savings growth. These circumstances disproportionately impact households of color, compounding racial wealth gaps. Despite more than a decade of policy and research focus on mortgage and student loan repayment solutions, less public attention has been paid to options for families struggling with unsecured credit.

The new project will evaluate pilots by nonprofit credit counseling agencies organized with assistance from the NFCC to test new repayment plan structures and data and technology innovations. FinRegLab is working with researchers from The Ohio State University and Charles River Associates to conduct an independent empirical evaluation of the pilot results and other potential data sources.

“U.S. households have become increasingly vulnerable to income and expense shocks over the last several decades,” said FinRegLab CEO Melissa Koide. “Using new data sources and other innovations to improve options for distressed borrowers could help millions of families restabilize their finances as well as creating faster, more inclusive recoveries from national economic downturns.”

“With this groundbreaking research project, we hope to bring a new understanding of the challenges faced by distressed borrowers in the unsecured debt market much as has been done in recent studies of the mortgage market—both during and after the housing crisis,” said Jeff Falkner, CFO and Head of Research for the NFCC. “The output of this effort will inform and facilitate operational and policy discussions aimed at the delivery of supports and solutions for distressed borrowers across the coming years.”

Market Context Report

FinRegLab has started the project by releasing a report titled, “[Debt Resolution Options: Market & Policy Context](#),” which describes the primary options available to consumers who are struggling with unsustainable unsecured loans, as well as available research about the scope and impacts of those options. It culminates with an overview of critical policy questions as stakeholders work to improve resolution options for consumers as rising inflation and interest rates increase financial pressures on many families. The report’s findings include:

- Current options for resolving unsecured loans are fragmented and complicated for consumers to evaluate. Such options range from asking existing lenders for payment relief to filing for bankruptcy. But not all options are available to all consumers, and each option has tradeoffs.

- Consumers are increasingly relying on intermediaries to help them navigate this complex system, but frictions between market actors can complicate debt resolution processes. Such intermediaries can include nonprofit counseling agencies as well as for-profit debt settlement companies, which may now be involved in approximately 50 percent of settlements of credit card debt.
- Innovations in workout plan structures and the use of data and technology have the potential to improve outcomes at scale. However, many stakeholders are reluctant to make substantial changes and investments in the absence of greater research validating that particular approaches are likely to improve consumer and lender outcomes.

Empirical Research and Subsequent Reports

The empirical research is designed to address many of the issues identified in the market context report by using the pilot data to help inform nonprofit counseling agencies, lenders, consumer advocates, policymakers, and other stakeholders as they consider potential changes to broader market practices and regulatory guidance. Initial research questions include:

- What can we learn from short-term assistance programs developed in response to the pandemic and other financial shocks?
- What are consumer and lender outcomes from different repayment plan structures, including plans that are structured to repay all principal versus those that reduce principal to promote quicker recovery and cash returns to creditors?
- How can digital platforms and cash-flow data be used to facilitate consumer communications, intake, and analyses?

The first phase of the project will focus on results during the first 12 months of enrollment in repayment plans, when drop-out risk is highest. The second phase is expected to track outcomes through completion of the repayment plans and may include other topics, such as working with plan participants to build savings as their finances improve.

In addition to the empirical assessments, other project reports will explore the potential evolution of policy, regulation, and market practices based on extensive stakeholder outreach and FinRegLab policy and legal analyses. The goal of the project is to take a broad-based look at potential innovations to support more rapid and inclusive recovery processes going forward.

About FinRegLab

FinRegLab is an independent, nonprofit research organization that conducts research and experiments with new technologies and data to drive the financial sector toward a responsible and inclusive marketplace. We also facilitate discourse across the financial ecosystem to inform public policy and market practices.

About the National Foundation for Credit Counseling

Dedicated to educating Americans about how to reduce personal or household debt responsibly, the National Foundation for Credit Counseling is a trusted, nationwide resource for education and support in building financial management skills. Through its network of nonprofit agencies and certified counselors, the NFCC offers impactful approaches to debt reduction and improved credit standing, whether consumers are struggling with credit card debt, decisions about housing, or student loans. For more information about the NFCC or to be connected to a certified counselor, please call 800-388-2227 or visit www.nfcc.org.

Support for the Research

Support for the project is provided by Bank of America, Capital One Financial Corporation, JP Morgan Chase, Lending Club, Synchrony, TD Bank, and the Wells Fargo Foundation.

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LendingClub Corporation (NYSE: LC) is the parent company of LendingClub Bank, National Association, Member FDIC. LendingClub Bank is the leading digital marketplace bank in the U.S., where members can access a broad range of financial products and services designed to help them pay less when borrowing and earn more when saving. Based on more than 150 billion cells of data and over \$75 billion in loans, our advanced credit decisioning and machine-learning models are used across the customer lifecycle to expand seamless access to credit for our members, while generating compelling risk-adjusted returns for our loan investors. Since 2007, more than 4 million members have joined the Club to help reach their financial goals. For more information about LendingClub, visit <https://www.lendingclub.com>.

Synchrony is a premier consumer financial services company delivering one of the industry's most complete digitally-enabled product suites. The company's experience, expertise and scale encompass a broad spectrum of industries including digital, health and wellness, retail, telecommunications, home, auto, outdoor, pet and more. They have an established and diverse group of national and regional retailers, local merchants, manufacturers, buying groups, industry

associations and healthcare service providers, which we refer to as our “partners.” They connect

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our partners and consumers through our dynamic financial ecosystem and provide them with a diverse set of financing solutions and innovative digital capabilities to address their specific needs and deliver seamless, omnichannel experiences. We offer the right financing products to the right customers in their channel of choice.

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